FILED
8-15-16
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2015 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast (U39E).

A.14-05-024
(Filed May 30, 2014)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON PROPOSED DECISION

FADIA R. KHOURY
RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-6962
E-mail: Russell.Archer@sce.com

Dated: **August 15, 2016**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2015 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast (U39E).	A.14-05-024 (Filed May 30, 2014)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON PROPOSED DECISION

I.

INTRODUCTION

Pursuant to California Public Utilities Commission (Commission) Rule of Practice and Procedure 14.3(d), Southern California Edison (SCE) respectfully submits these Reply Comments on the July 19, 2016 Proposed Decision (PD) pending in this proceeding. SCE's Reply Comments address misrepresentations of law, fact or condition of the record contained in the opening comments of LEAN Energy US (LEAN); the city of Lancaster (Lancaster), Marin Clean Energy (MCE) and Sonoma Clean Power Authority (SCPA) (collectively, CCA Parties); and Shell Energy North America (US), L.P. (Shell).

II.

SCE REPLY TO LEAN COMMENTS

LEAN states that "the Proposed Decision should be modified to also order SCE to re-set Power Charge Indifference Amount (PCIA) vintages for CCA customers where appropriate and collect future PCIA charges according to the method adopted by the Commission."[1] While it is true that SCE has an active CCA in its service territory (Lancaster Choice Energy (LCE)), it is important to note that LCE submitted a Binding Notice of Intent (BNI) that identified both phases of its planned implementation. Accordingly, consistent with the PD, D.05-12-041 and Electric Rule 23.2,[2] SCE appropriately assigned all of LCE's customers the vintage year in which the BNI was submitted. It is unnecessary to modify the PD to order SCE to "re-set" any PCIA vintages.

LEAN argues that the charter of the Working Group be expanded to "explore and recommend methods to stabilize PCIA charges from year to year."[3] That proposed modification to the PD is inappropriate. While SCE is not opposed to discussing a variety of topics and options in the Working Group sessions, LEAN does not advance any good reason why this particular topic should be a focus of discussion. As evidenced by the broad range of discussion at the March 8, 2016 workshop, several parties have many different ideas and proposed courses of action regarding PCIA issues. The PD as written appropriately focuses the Working Group on the core "issues of improved transparency and certainty related to PCIA."[4]

III.

SCE REPLY TO CCA PARTIES' COMMENTS

A. "Implementation Plans" vs. BNIs

The CCA Parties argue that the PD should be "clarified" to provide that multi-phase CCAs be assigned a single original vintage "provided the roll-out is described in the **implementation plan** for the service area."[5] That change would not be a "clarification" – instead, it would rewrite the PD in a way that is inconsistent with Commission precedent and statute. The fundamental – and correct – underpinning of the PD is that if – but only if – a CCA

---

1 LEAN Comments at p. 3.

2 "CCAs will be allowed to submit … a Binding Notice of Intent (BNI) to serve specified customers on a specific date. SCE can then rely upon the BNI in making procurement decisions to meet its load and resource adequacy requirements." Rule 23.2 A. 1.

3 Lean Comments at p. 4.

4 PD at p. 18.

5 CCA Parties Comments at p. 2 (emphasis added).

submits a BNI, then all of the customers identified in the BNI will receive the original vintage. Conversely, if a CCA does not submit a BNI, customers are assigned a vintage based on the date of initiation of service. For multi-phase CCAs, the analysis is simple: For CCAs that submit a BNI that identifies multiple phases (like LCE did), all customers in all phases receive the original vintage. For CCAs that do not submit a BNI, each phase receives a vintage based on the date of the initiation of service for that phase.

The logic and fairness behind this rule is clear: If a CCA submits a BNI, it has taken on a binding legal obligation to procure generation for the customers identified in the BNI. The incumbent utility can then rely on that commitment and stop procuring for those customers, and so it is appropriate that all of those customers receive the PCIA vintage date of the submission of the BNI. Conversely, if a CCA merely announces an "implementation plan" sketching out future potential phases of implementation, the incumbent utility must continue to procure for those customers, because the CCA has no legal obligation do so. In those cases, the customers phased-in will be assigned vintages according to their respective initiation-of-service dates.

In fact, in its landmark 2005 CCA decision, in approving the concept of multi-phase CCAs, the Commission considered the PCIA vintaging rules, and determined that "consistent with AB 117 and our view that CCA customers pay for those power purchase liabilities that were incurred on their behalf, we find that the customers of a CCA that has phased in its program be charged a CRS **according to the date of those customers' phase in**."[6]

The CCA Parties argue that an "implementation plan" provides a utility a "reasonable expectation" that it can stop procuring for all the customers listed in the "plan." But the Commission has held "that an open season [i.e., the submission of a BNI] would … provide information upon which the utility could rely about when to stop purchasing power for future CCA customers."[7] It recognized that "[t]he objective of a **binding notice of intent** is to transfer liability for customer power purchases from the utility to the CCA according to a specified date… ."[8] Specifically, the Commission rejected the exact argument the CCA Parties make here:

---

6 D.05-12-041 at p. 28 (emphasis added).
7 *Id.* at p. 29.
8 *Id.* at pp. 30-31 (emphasis added).

> We do not agree with Local Power and CCSF that the filing of an implementation plan or the creation of the CCA must automatically trigger changes in utility procurement practices. In some cases, the utility may be able to modify procurement strategies without imposing additional cost or risk on utility customers. As the utilities observe, however, if the CCA never initiates service, changes in procurement in other cases may ultimately be costly to utility customers. … While voluntary, **if the CCA chooses not to participate in the open season or to sign a more tailored binding agreement with the utility, the CCA must assume the risk for all utility power purchased up to the CCA's initiation of service**.[9]

The CCA Parties' argument to reverse this long-standing precedent and to assign an original vintage to every customer in a multi-phase CCA in the absence of a BNI is unreasonable. Take for example a proposed CCA that does not submit a BNI, but merely announces an "implementation plan" in 2016 that identifies three potential future phases: the first phase will consist of approximately 5,000 service accounts and will initiate service in 2017; the second phase will consist of approximately 50,000 service accounts and will initiate service in 2018; and the third phase will consist of approximately 500,000 service accounts and will initiate service in 2019. According to the CCA Parties, the utility should stop procuring for all 555,000 customers in 2016, and they should all receive a 2016 PCIA vintage, because the CCA – not the utility – has the "reasonable expectation of providing for the long-term electric needs of the load."[10]

But a "reasonable expectation" is not the same as a "legal obligation." In this example the utility retains the legal obligation to continue to procure for the load, because there is nothing obligating the CCA to do so, and no assurances that the future phases will come to fruition in the magnitude or pursuant to the timing identified in the "implementation plan." If the utility did not procure for this load, and the future CCA phases were smaller-than-"planned", cancelled or even just delayed, the utility could find itself materially short on procurement, and could need to make last-minute, expensive purchases. This is flatly inconsistent with the statutory mandate of bundled service customer indifference to CCA formation codified in Public Utilities Code §366.2(4).

---

9 *Id.* at pp. 31, 36 (emphasis added).

10 CCA Parties' Comments at p. 6.

B. Small Customer "Opt-outs"

The CCA Parties also urge modification of the PD regarding the concept of customers who opt-out of the CCA and later opt-in receiving a vintage based on the date they leave utility procurement service. The CCA Parties claim that the rule should only apply to "large customers." But the CCA Parties do not define what a "large" customer is, do not explain why many small customers in the aggregate are different than a "large" customer, do not adequately distinguish between the normal "churn" of changing service accounts and customers who make a conscious choice to remain with utility procurement service, and most importantly, do not justify why a departure from the Commission's well-established principle of individual customer responsibility[11] is appropriate. The CCA Parties' proposed change would encourage gaming (because it essentially is a "free option" to take a wait-and-see approach regarding the CCA), and accordingly shift costs to bundled service customers.

IV.

SCE REPLY TO SHELL

Shell argues the PD commits "legal error" because it did not address all of the changes to the PCIA Shell wants the Commission to make. Shell is wrong. It is well within the Commission's discretion to prudently defer the adjudication of broad PCIA questions that affect all utilities and potential CCAs from hasty consideration in one utility's Phase 2 ERRA Forecast proceeding. Moreover, Shell's implication that SCE cannot act as an honest broker in the upcoming Working Group because SCE wants to "maintain the status quo" is both inappropriate and incorrect. As Shell is aware, SCE has recommended changes to the PCIA to remedy inadequacies with the capacity and green benchmarks.[12]

---

[11] D.08-09-012 at p. 59.

[12] *See* SCE's February 16, 2016, Responses to Energy Division's January 22, 2016 Questions Regarding the PCIA.

Respectfully submitted,

FADIA R. KHOURY
RUSSELL A. ARCHER

/s/ Russell A. Archer
By: Russell A. Archer

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-6962
E-mail: Russell.Archer@sce.com

Dated: August 15, 2016